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Governor

STATE OF NEVADA
GAMING CONTROL BOARD

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MARK A. CLAYTON, *Member*

August 9, 2005

Dennis K. Neilander, Chairman
Mark A. Clayton, Board Member
State Gaming Control Board

Dear Chairman Neilander and Member Clayton:

I am pleased to bring before you today draft regulations that implement the 2003 Nevada Legislature's amendment to Nevada law to clearly allow interstate pari-mutuel horserace account wagering. The Board staff and the Nevada pari-mutuel horserace industry have collaborated to achieve this regulatory blueprint for Nevada's entry into the interstate pari-mutuel horserace wagering market.

The development of these regulations involved the careful consideration of federal and state law, and industry operations in the 17 other states which have had such legal gaming for a long period of time. The result is a detailed structure for Nevada that will provide reasonable regulatory assurance that all facets of this wagering activity function within the law and regulations; and yet, will allow Nevada to compete on a level playing field with its 17 sister states.

Major innovations included in the regulations are the safeguard of using third parties to verify customer identity, age, and residence; and also, the use of a central call center for unaffiliated race books, in order to allow the smaller books to benefit from sharing and therefore lowering the costs of the hardware and the software necessary to interact with patrons. Within the structure of these regulations, the Nevada pari-mutuel horserace industry has the potential to do what Nevada does best. Nevada will provide, within a climate of effective and reasonable regulation, a most enjoyable patron gaming experience. Nevada's pari-mutuel horserace wagering industry will benefit and so will all Nevada citizens.

Admittedly, Nevada's entrance into interstate pari-mutuel horserace wagering is not without some level of controversy concerning exactly what effect the federal statute that makes such wagering legal, the Interstate Horseracing Act of 1978 as amended in 2000, has on the much earlier and criminal statute, the Wire Act of 1961, which prohibits interstate wire communications of wagers on sporting events. However, 17 states have been participating in interstate pari-mutuel horserace account wagering for a long time without definitive clarification of the interaction of the two statutes. Accordingly, in reliance on the 2003 Nevada statutory change that clearly made interstate pari-mutuel horserace wagering legal in Nevada; and on the Interstate Horseracing Act of 1978 as amended in 2000, which in its own statutory language provides "that States should have the primary responsibility for determining what forms of gambling may legally take place within their borders" and further allows for "the continued cooperation among the states in the acceptance of legal interstate pari-mutuel horserace wagers," these regulations have my full support.

I am confident that these regulations, as drafted, are consistent with declared public policy in Nevada that the gaming industry is vitally important to the economy of the state and the general welfare of its inhabitants; and on that basis, I propose sending the following documents, which will be made public, to the Nevada Gaming Commission with a Gaming Control Board recommendation for adoption of the regulations:

1. A draft amendment to Commission Regulation 22, Attachment A;
2. A draft new Commission Regulation 26C, Attachment B; and
3. A Regulation History Memorandum which describes in detail the purpose of amendments to Regulation 22 and the development of new Regulation 26C, Attachment C.

Sincerely,

Bobby L. Siller
Board Member

BLS:AZC

cc: Marilyn Epling, Executive Secretary
Antonia Z. Cowan, Senior Deputy General
Records and Research Services